



“Spring” into Deductions

Auditors’ Conference

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Deductions, Exemptions, and Credits, Oh My!

- What's the difference between a deduction, exemption, and a credit?
- A deduction reduces the assessed value being taxed, an exemption excludes property from assessment and/or taxation, and a credit reduces the tax bill.



Deductions, Exemptions, and Credits, Oh My!

- This presentation and other Department of Local Government Finance materials are not a substitute for the law! This is not legal advice, just an informative presentation. The Indiana Code always governs.
- Most importantly, if you're not sure about something, ask first! The Department will do its best to answer your questions. If the Department can't help, it will either refer you to the right agency or to your county attorney. Don't rely on rumors or third party information.



Applying the Deduction to Real Estate

Assessed value of real estate	\$ 90,000
– Less Homestead Deduction:	- \$ 45,000
– Less Supplemental:	- \$ 15,750
– Less Mortgage Deduction:	- \$ 3,000
– Less Partially Disabled Vet Deduction	<u>- \$ 24,960*</u>
Net Assessed Value of Property =	\$ 1,290

- It is suggested that the veteran deduction be applied last so that if there is an unused portion remaining, the vet can seek an excise tax credit.
- It is possible for deductions to zero out a tax bill (personal property mobile homes may be an exception).
- **Deduction applications must be filled out and signed by December 31 and filed or postmarked by January 5.**



Overview of Common Deductions

Homestead Standard Deduction:

- Lesser of \$45,000 or 60% of the gross AV of the property;
- Applies to the dwelling (and those structures, such as decks and patios attached to the dwelling) and the surrounding acre (even if the acre straddles multiple parcels);
- Applies to property that is the applicant's principal place of residence, meaning the individual's true, fixed, permanent home TO WHICH THE INDIVIDUAL HAS THE INTENTION OF RETURNING AFTER AN ABSENCE.
- Applicant must own or be buying under recorded contract that provides that the buyer is responsible for the taxes (the latter is a pretty universal principle when a contract is involved).



Overview of Common Deductions

Supplemental Homestead Deduction:

- Applied to the net AV resulting after application of the standard homestead deduction;
- Deduction equals 35% of the net AV (if the net is less than \$600,000) or 25% of the net AV (if the net is greater than \$600,000).



Overview of Common Deductions

Energy Deductions:

- Solar Energy Heating or Cooling System (deduction equals the out-of-pocket expenditures for the components and labor);
- Solar Power Device, Wind Power Device, Hydroelectric Power Device, Geothermal Device (deduction equals the AV of the property with the device less the AV of the property without the device [for a solar power device assessed as distributable or personal property, the deduction equals the AV of the device]).
- Please note: hydroelectric and geothermal devices must be certified by the Indiana Department of Environmental Management (if certified, subsequent owner does NOT need to seek certification again).



Overview of Common Deductions

Mortgage:

- Lesser of: \$3,000, balance of mortgage or contract indebtedness on assessment date, or one-half of the total AV of property;
- A person may not have more than one mortgage deduction in his name. However, if a married couple owns two pieces of property and each property is mortgaged in the spouses' names, one spouse could have a mortgage deduction in his name on one property while the other spouse has a mortgage deduction in her name on the other property. Likewise, if a person owns a business (e.g., LLC), the person could have a mortgage deduction in his name and the business could have a mortgage deduction in its name.



Overview of Common Deductions

Mortgage: (continued)

- Although there must be a mortgage balance in place, there is no statutory minimum balance.
- The mortgage deduction is available for property on which a person has a home equity line of credit that is recorded in the county recorder's office.



Overview of Common Deductions

Over 65 Deduction:

- Lesser of one-half of the **gross** AV of the property or \$12,480 (can zero out bill!);
- Applicant must have owned (or been buying) the property for at least one year before “claiming” the deduction;
- Applicant and any joint tenants or tenants in common must reside on the property;
- Combined, adjusted gross income of applicant and applicant’s spouse or applicant and any joint tenants or tenants in common for preceding year did not exceed \$25,000;
- AV of property cannot exceed \$182,430;



Overview of Common Deductions

Over 65 Deduction: (continued)

- Applicant must be at least 65 by December 31 of the year preceding the year in which the deduction is claimed (in other words, must be at least 65 by December 31, 2015 to receive the deduction for '15 Pay '16);
- The **same person** cannot have the over 65 deduction in conjunction with deductions other than the homestead, mortgage, and fertilizer storage deductions;
- The deduction cannot be denied on the basis that the recipient is away from the property while in a hospital or nursing home;
- If any joint tenants or tenants in common are not at least 65, the deduction is reduced by a fraction.



Overview of Common Deductions

Over 65 Circuit Breaker:

- Credit prevents recipient's homestead tax liability from increasing by more than 2% over previous year;
- Applicant must have been eligible for homestead deduction in preceding year as well as current year;
- If applicant filed an individual income tax return for the preceding year, income cannot have exceeded \$30,000 (or \$40,000 if filed jointly with spouse);
- Gross AV of homestead cannot exceed \$160,000;
- No restrictions on combining credit with other deductions;
- Applicant is or will be at least 65 on or before December 31 of the calendar year immediately preceding the current calendar year (in other words, must be at least 65 by December 31, 2015 to receive the credit for '15 Pay '16).



Overview of Common Deductions

Blind/Disabled Person Deduction:

- Deduction is \$12,480;
- Applicant must use property as principal place of residence;
- Applicant must own or be buying the property under recorded contract;
- Applicant must provide proof of blindness or disability;
- Applicant's individual income for preceding year did not exceed \$17,000.



Overview of Common Deductions

Blind/Disabled Person Deduction: (continued)

- I have a couple that both applied for the disabled deduction. This will take the value to zero on their primary residence. They have two other parcels. Can you put the rest of the disabled deduction on other property they own?
- The property for which the deduction is sought must be the applicant's principal residence. Thus, only property that is principally used and occupied by the individual as the individual's residence qualifies.



Overview of Common Deductions

Heritage Barn (see IC 6-1.1-12-26.2)

(A) was constructed before 1950;

(B) retains sufficient integrity of design, materials, and construction to clearly identify the building as a barn;

(C) is not being used for agricultural purposes in the operation of an agricultural enterprise; and

(D) is not being used for a business purpose.

- Cannot be a dwelling.



Overview of Common Deductions

Heritage Barn (see IC 6-1.1-12-26.2)

Can the owner store farm equipment in the barn and still qualify for the Heritage Barn deduction if he meets all the other requirements?

- If the equipment is being used as part of the taxpayer's agricultural enterprise or business and the storage of the equipment aids that enterprise or business, then I think this would be a problem for eligibility.

How many heritage barn deductions can a person receive?

- A person could receive more than one heritage barn deduction.

What about a barn that's been refurbished?

- If the core of the heritage barn is still there, then it probably could still qualify.



Overview of Common Deductions

Heritage Barn (continued)

- Our assessor's office is saying that they have to put heritage barn owners' names, addresses, and phone numbers on a list for tourist/promotional information.
- Section 3 of HEA 1046-2014 says that "Before July 1, 2015, the office [of tourism development] shall, using only the resources available to the office under P.L.205-2013 and this chapter, develop print and electronic media promoting tourism, visitation, and other hospitality opportunities that feature heritage barns located in Indiana. The department of agriculture and the office of community and rural affairs shall provide the office assistance in developing a heritage barn tourism program in Indiana." I see nothing about assessors compiling a list of names, addresses, and phone numbers. Whether or not some other state office is doing that or has directed assessors to do that, I don't know, but the statute is silent.



Overview of Common Deductions

Disabled Veteran Deductions (discussed later in this presentation)



Remember . . .

- If a deduction is validly in place on the assessment date, it will stay in place for the assessment year, even if the property changes hands and the new owner is ineligible for it. No different with January 1 assessment date; same filing deadlines apply.
- What if a person has a homestead on his principal place of residence on March 1 but moves to new principal place of residence later in the year? The deduction will stay on the old property for that tax cycle and can be granted a homestead deduction for the new property for the same tax cycle. See IC 6-1.1-12-37(h).



Remember . . .

- A person must actually use the property as his or her principal place of residence in the year in which the deduction application/SDF is signed.



“Taxing” Questions

- *Can one spouse or owner receive an over 65 deduction while the other spouse or owner receives a veteran deduction?*
- YES! State law prohibits the same PERSON from receiving an over 65 deduction AND certain other deductions, but it does not prohibit one spouse or owner from receiving an over 65 deduction and the other spouse or owner receiving a disability or veteran deduction. Please note that the fractional reduction in the over 65 deduction only occurs if the other owner is not 65 and NOT the applicant’s spouse. If the applicant’s spouse is under 65, there is no reduction!



“Taxing” Questions

- Remember that a homestead deduction applies to a dwelling and up to one acre surrounding that dwelling. Even if that acre straddles or overlaps two or more parcels, the deduction must be applied to that full acre. The fact that the acre straddles or overlaps multiple parcels doesn’t preclude the taxpayer from receiving a complete deduction on that acre! State law does not require the taxpayer to combine the parcels in order to receive the deduction on the acre.
- Also remember that for ‘14 Pay ‘15 and beyond, property must actually be receiving a homestead deduction to receive the 1% cap!



“Taxing” Questions

- Remember that if someone failed to file a verification form, the auditor may, in his or her discretion, terminate the deduction for the ‘12 Pay ‘13 cycle forward. To go back previous years, the auditor must have an independent reason for doing so. If a taxpayer who failed to file the verification form provides proof of his or her eligibility for the deduction for the ‘12 Pay ‘13 cycle (or a subsequent cycle for which the deduction was terminated for failure to file the form), the deduction **MUST** be reinstated (no statutory deadline for taxpayer; no interest due; no statutory obligation to file Form 133).



“Taxing” Questions

- An auditor may limit what evidence he or she requests to a state income tax return, a valid driver’s license, or a valid voter registration card.
- A dispute over eligibility for a homestead deduction in one year does not necessarily justify requesting documentation for multiple years, unless there truly is a basis for disputing eligibility in all those years. In other words, if there’s a dispute over a person’s eligibility for the deduction in ’13 Pay ’14, the auditor shouldn’t tell the taxpayer to supply proof of eligibility for multiple years unless eligibility is genuinely in dispute for those years.



“Taxing” Questions

- Likewise, an auditor should not tell taxpayers that he or she will accept a homestead deduction application only if the applicant attaches or provides a Social Security card or tax return. If the auditor reviews the application and determines that there is a legitimate need for supporting documentation, that’s one thing, but an auditor cannot impose additional criteria or steps for applying for a homestead deduction (there are some deductions, such as the vet deductions, that do require that supporting documentation be attached).
- **NOTE: YOU CANNOT REQUIRE SUBMISSION OF AN ENTIRE SOCIAL SECURITY NUMBER UNLESS THERE IS EXPLICIT LEGAL AUTHORITY TO DO SO!**



“Taxing” Questions

- Please note that if you have two unmarried individuals who own a property and one of them uses it as his homestead, he is not precluded from applying for the homestead deduction even if his co-owner receives a homestead deduction on the property where she lives.
- By way of example, if Bob and Sue are siblings and own House A, which Bob uses as his homestead, Bob can claim a homestead deduction on House A even if Sue claims a homestead deduction on House B, which she uses as her homestead.



What's the deal with driver's licenses?

- What's the deal with driver's licenses?

The homestead deduction application must contain "either:

- (A) the last five (5) digits of the applicant's Social Security number and the last five (5) digits of the Social Security number of the applicant's spouse (if any); or
- (B) if the applicant or the applicant's spouse (if any) does not have a Social Security number, any of the following for that individual:
 - (i) The last five (5) digits of the individual's driver's license number.
 - (ii) The last five (5) digits of the individual's state identification card number.
 - (iii) If the individual does not have a driver's license or a state identification card, the last five (5) digits of a control number that is on a document issued to the individual by the federal government."

"The county auditor may limit the evidence that an individual is required to submit to a state income tax return, a valid driver's license, or a valid voter registration card showing that the residence for which the deduction is claimed is the individual's principal place of residence."



What's the deal with driver's licenses?

- Although a person has 60 days to obtain an Indiana driver's license after becoming a resident of the state, the person's failure to do so would not necessarily prohibit him from obtaining the homestead deduction.
- If the wife is applying, she must list her husband's identification information. What if the husband does not have an Indiana license or his out-of-state license is expired?
- The wife, as applicant, should be able to show the auditor a valid driver's license if asked and if she drives (again, need not necessarily be an Indiana license). If the husband has no driver's license, this is not a problem (even the applicant is not required to have a driver's license if she does not drive). If the husband has an out-of-state license (valid or expired), the last five digits of this number can be used in the application.



What's the deal with driver's licenses?

- By analogy, if you have a husband and wife and the husband lives in Belgium, the fact that he wouldn't have an Indiana driver's license and would not be using the Indiana property as his principal place of residence does not prevent the wife from claiming the deduction (so long as he's not claiming a homestead deduction equivalent in Belgium [see next slide]). The wife would still need to include identification information for him in the application and the couple would be limited to the one homestead deduction, but the point is that the wife is really the applicant, so her eligibility is critical.
- If she could provide no identification information for her husband, then that would be a problem.



“Taxing” Questions

- Remember that unless a couple is legally divorced, the couple is still married and entitled to only one homestead deduction. This is true even if the couple is living apart.
- The only exception to this idea is the following:

IC 6-1.1-12-37

- (n) A county auditor shall grant an individual a deduction under this section regardless of whether the individual and the individual's spouse claim a deduction on two (2) different applications and each application claims a deduction for different property if the property owned by the individual's spouse is located outside Indiana and the individual files an affidavit with the county auditor containing the following information:



“Taxing” Questions

IC 6-1.1-12-37 (continued)

- The names of the county and state in which the individual’s spouse claims a deduction substantially similar to the deduction allowed by this section.
- A statement made under penalty of perjury that the following are true:
 - That the individual and the individual's spouse maintain separate principal places of residence.
 - That neither the individual nor the individual's spouse has an ownership interest in the other's principal place of residence.
 - That neither the individual nor the individual's spouse has, for that same year, claimed a standard or substantially similar deduction for any property other than the property maintained as a principal place of residence by the respective individuals.



“Taxing” Questions

Continued . . .

- A county auditor may require an individual or an individual's spouse to provide evidence of the accuracy of the information contained in an affidavit submitted under this subsection. The evidence required of the individual or the individual's spouse may include state income tax returns, excise tax payment information, property tax payment information, driver license information, and voter registration information.
- An individual who receives a homestead standard deduction for property that is jointly owned with another owner in a particular year and remains eligible for the deduction in the following year is not required to reapply for the deduction following the removal of the joint owner if the individual is awarded sole ownership of property in a divorce decree (50 IAC 24-3-6).



“Taxing” Questions

- In December, I received a letter from a taxpayer stating that they have moved and would like their mail forwarded to a new address. Should I pull that person’s homestead deduction for the preceding assessment date based on that letter?
- Again, if the deduction was validly in place on the assessment date, it will stay in place for that tax cycle. Here the auditor may have to seek additional information from the taxpayer, such as whether the taxpayer had moved out prior to the assessment date or whether the taxpayer is seeking a homestead deduction in another state for the same tax cycle that would require termination of the Indiana deduction. It is true that the taxpayer is the one obligated to notify the auditor of ineligibility, but the letter cited above isn’t necessarily sufficient proof of ineligibility.
- Auditors should perform due diligence before pulling a deduction.
- Note: a person can use an out-of-state driver’s license number to apply for the homestead deduction, but the auditor will probably want to follow-up with the taxpayer to ensure the person is actually an Indiana resident.



“Taxing” Questions

- *How do we handle the income thresholds for the over 65 deduction and blind/disabled deductions?*

Over 65 Deduction (IC 6-1.1-12-9, 10.1):

“the combined adjusted gross income (as defined in Section 62 of the Internal Revenue Code) of:

(A) the individual and the individual's spouse; or

(B) the individual and all other individuals with whom:

(i) the individual shares ownership; or

(ii) the individual is purchasing the property under a contract;

as joint tenants or tenants in common;

for the calendar year preceding the year in which the deduction is claimed did not exceed twenty-five thousand dollars (\$25,000).

“In order to substantiate the deduction statement, the applicant shall submit for inspection by the county auditor a copy of the applicant's and a copy of the applicant's spouse's income tax returns for the preceding calendar year. If either was not required to file an income tax return, the applicant shall subscribe to that fact in the deduction statement.”



“Taxing” Questions

Over 65 Credit (IC 6-1.1-20.6-8.5):

- “(A) in the case of an individual who filed a single return, adjusted gross income (as defined in Section 62 of the Internal Revenue Code) not exceeding thirty thousand dollars (\$30,000); or
- (B) in the case of an individual who filed a joint income tax return with the individual's spouse, combined adjusted gross income (as defined in Section 62 of the Internal Revenue Code) not exceeding forty thousand dollars (\$40,000); for the calendar year preceding by two (2) years the calendar year in which property taxes are first due and payable.”



“Taxing” Questions

- *How do we handle the income thresholds for the over 65 deduction and blind/disabled deductions?*

Blind/Disabled Deduction (IC 6-1.1-12-11, 12):

- “[T]he individual's taxable gross income for the calendar year preceding the year in which the deduction is claimed did not exceed seventeen thousand dollars (\$17,000).”
- “For purposes of this section, taxable gross income does not include income which is not taxed under the federal income tax laws.”
- Notice that only the over 65 deduction/credit requires submission of an income tax return!
- Adjusted gross income stated here:
 - **Form 1040 – Line 37**
 - **Form 1040A – Line 21**
 - **Form 1040EZ – Line 4**



What about trusts?

IC 6-1.1-12-17.9

- Trust eligibility for certain deductions; requirements
- Sec. 17.9. A trust is entitled to a deduction under section 9 [**over 65**], 11 [**blind/disabled**], 13 [partially-disabled veteran], 14 [**totally disabled veteran**], 16 [WW I], or 17.4 [WW I] of this chapter for real property owned by the trust and occupied by an individual if the county auditor determines that the individual:
 - (1) upon verification in the body of the deed or otherwise, has either:
 - (A) a beneficial interest in the trust; or
 - (B) the right to occupy the real property rent free under the terms of a qualified personal residence trust created by the individual under United States Treasury Regulation 25.2702-5(c)(2);



What about trusts?

IC 6-1.1-12-17.9 (continued)

- (2) otherwise qualifies for the deduction; and
- (3) would be considered the owner of the real property under IC 6-1.1-1-9(f) or IC 6-1.1-1-9(g)
 - [When a life tenant of real property is in possession of the real property, the life tenant is the owner of that property. When the grantor of a qualified personal residence trust created under United States Treasury Regulation 25.2702-5(c)(2) is: (1) in possession of the real property transferred to the trust; and (2) entitled to occupy the real property rent free under the terms of the trust; the grantor is the owner of that real property.].
 - **A trust can also receive the homestead deduction!!!**



“Taxing” Questions

- *Can our county collect on ineligible deductions other than the homestead?*
- While it is possible that a taxpayer who received a deduction for which he was not eligible may be liable for the taxes associated with that ineligible deduction, for all but the homestead deduction, *statute* does **not** provide a mechanism for counties to pursue action against these taxpayers. There is no statutory process outlined for identifying these taxpayers, notifying them of the issue, or collecting these taxes. We do believe, however, that a county could take legal action through a court.



FYI

- Please note that HEA 1072-2012 amended the homestead deduction statute so that:
- If a property owner's property is not eligible for the homestead deduction because the county auditor has determined that the property is not the property owner's principal place of residence, the property owner may appeal the county auditor's determination to the PTABOA as provided in IC 6-1.1-15. The county auditor must inform the property owner of the owner's right to appeal to the PTABOA when the county auditor informs the property owner of the county auditor's determination. (Effective July 1, 2012)



Reminder

IC 6-1.1-36-17

Notice of ineligibility for standard deduction; collection of adjustments in tax due; nonreverting fund

- (b) Each county auditor that makes a determination that property was not eligible for a standard deduction under IC 6-1.1-12-37 in a particular year shall:
- (1) notify the county treasurer of the determination; and
 - (2) do one (1) or more of the following:
 - (A) Make a notation on the tax duplicate that the property is ineligible for the standard deduction and indicate the date the notation is made.
 - (B) Record a notice of an ineligible homestead lien under subsection (d)(2).
- The county auditor shall issue a notice of taxes, interest, and penalties due to the owner that improperly received the standard deduction and include a statement that the payment is to be made payable to the county auditor. The notice must require full payment of the amount owed within thirty (30) days. The additional taxes and civil penalties that result from the removal of the deduction, if any, are imposed for property taxes first due and payable for an assessment date occurring before the earlier of the date of the notation made under subdivision (2)(A) or the date a notice of an ineligible homestead lien is recorded under subsection (d)(2) in the office of the county recorder. With respect to property subject to a determination made under this subsection that is owned by a bona fide purchaser without knowledge of the determination, no lien attaches for any additional taxes and civil penalties that result from the removal of the deduction.



Veteran Deductions



Codes

- IDVA has discontinued the “Codes.” The 1, 2, 3 system was actually never a part of the property tax deduction statutes. Those numbers were used by IDVA to classify vets based on disability.



Deduction for Veterans with Partial Disability

IC 6-1.1-12-13

- An individual may have \$24,960 deducted from the assessed value of the taxable tangible property that the individual owns, or real property, a mobile home not assessed as real property, or a manufactured home not assessed as real property that the individual is buying under a contract (the contract or a memorandum of the contract must be recorded in the county recorder's office) if ...



Deduction for Veterans with Partial Disability

- 1) the individual served in the military or naval forces of the United States during any of its wars;
- 2) the individual received an honorable discharge;
- 3) the individual has a disability with a service connected disability of 10% or more;
- 4) the individual's disability is evidenced by:
 - (A) a pension certificate, an award of compensation, or a disability compensation check issued by the United States Department of Veterans Affairs; or
 - (B) a certificate of eligibility issued to the individual by the Indiana Department of Veterans' Affairs ("IDVA") after IDVA has determined that the individual's disability qualifies the individual to receive a deduction; and
- 5) the individual:
 - (A) owns the real property, mobile home, or manufactured home; or
 - (B) is buying the real property, mobile home, or manufactured home under contract;
on the date the deduction application is filed.



Deduction for Veterans with Partial Disability

- A person who receives this deduction may not receive the deduction provided by IC 6-1.1-12-16, which is the deduction for the surviving spouse of a World War I veteran.
- An individual who has sold real property, a mobile home not assessed as real property, or a manufactured home not assessed as real property to another person under a contract that provides that the contract buyer is to pay the property taxes on the real property, mobile home, or manufactured home may not claim this deduction against that real property, mobile home, or manufactured home.



Deduction for Totally Disabled Veteran or Partially Disabled Veteran Age 62 and Over

IC 6-1.1-12-14

- An individual may have the sum of \$12,480 deducted from the assessed value of the tangible property that the individual owns (or the real property, mobile home not assessed as real property, or manufactured home not assessed as real property that the individual is buying under a contract that provides that the individual is to pay property taxes on the real property, mobile home, or manufactured home if the contract or a memorandum of the contract is recorded in the county recorder's office) if ...



Deduction for Totally Disabled Veteran or Partially Disabled Veteran Age 62 and Over

- (1) the individual served in the military or naval forces of the United States for at least 90 days;
- (2) the individual received an honorable discharge;
- (3) the individual either:
 - (A) has a total disability; or
 - (B) is at least 62 years old and has a disability of at least 10% (need not be service-connected);



Deduction for Totally Disabled Veteran or Partially Disabled Veteran Age 62 and Over

- (4) the individual's disability is evidenced by:
 - (A) a pension certificate or an award of compensation issued by the United States Department of Veterans Affairs; or
 - (B) a certificate of eligibility issued to the individual by the IDVA after it has determined that the individual's disability qualifies him or her to receive this deduction; and
- (5) the individual:
 - (A) owns the real property, mobile home, or manufactured home; or
 - (B) is buying the real property, mobile home, or manufactured home under contract; on the date the deduction application is filed.



Deduction for Totally Disabled Veteran or Partially Disabled Veteran Age 62 and Over

- No one is entitled to this deduction if the assessed value of the individual's tangible property, as shown by the tax duplicate, exceeds \$143,160. YOU MUST CONSIDER ALL THE VET'S PROPERTY!
- An individual who has sold real property, a mobile home not assessed as real property, or a manufactured home not assessed as real property to another person under a contract that provides that the contract buyer is to pay the property taxes on the real property, mobile home, or manufactured home may not claim this deduction.



Applying for the Veterans Deductions

IC 6-1.1-12-15

- An individual who desires to claim the partially or totally disabled veteran deductions must file a statement with the auditor of the county in which the individual resides (more appropriately, the individual should apply to the auditor of the county in which the property is located). Application should preferably list all of the vet's Indiana property.
- With respect to real property, the statement must be completed and signed on or before December 31 and filed or postmarked on or before the following January 5.
- With respect to a mobile home that is not assessed as real property or a manufactured home that is not assessed as real property, the statement must be filed during the 12 months before March 31 of each year for which the individual wishes to obtain the deduction.
- The statement may be filed in person or by mail. If mailed, the mailing must be postmarked on or before the last day for filing. The statement must contain a sworn declaration that the individual is entitled to the deduction.



Applying for the Veterans Deductions

In addition to the statement, the individual shall submit to the county auditor for the auditor's inspection:

- (1) a pension certificate, an award of compensation, or a disability compensation check issued by the United States Department of Veterans Affairs if the individual claims the partially disabled veteran deduction;
- (2) a pension certificate or an award of compensation issued by the United States Department of Veterans Affairs if the individual claims the totally disabled veteran; or
- (3) the appropriate certificate of eligibility issued to the individual by IDVA if the individual claims either deduction.
 - If the individual claiming the deduction is under guardianship, the guardian shall file the statement.
 - The statement must contain the record number and page where the contract or memorandum of the contract is recorded, if applicable.



Surviving Spouses

- The surviving spouse of a veteran may receive these deductions if the veteran satisfied the eligibility requirements of these deductions at the time of his or her death and the surviving spouse owns or is buying the property under contract at the time the deduction application is filed. The surviving spouse is entitled to the deduction regardless of whether the property for which the deduction is claimed was owned by the deceased veteran or the surviving spouse before the deceased veteran's death.
- If a deceased veteran's surviving spouse is claiming a veteran deduction, the surviving spouse shall provide the documentation necessary to establish that at the time of death the deceased veteran satisfied the requirements of IC 6-1.1-12-13 or IC 6-1.1-12-14, whichever applies.



Deductions for World War I Veterans

- IC 6-1.1-12-17.4, IC 6-1.1-12-16, and IC 6-1.1-12-17 provide for a deduction for World War I veterans, their surviving spouses, and the process by which surviving spouses claim the deduction.
- Since there are currently no surviving World War I veterans (and probably no surviving spouses), it is unlikely you will encounter these issues.
- Please note that although IC 6-1.1-12-17 is entitled “Claim by surviving spouse of veteran,” this is for the surviving spouse of a World War I veteran only!



Excise Taxes

- If there is an unused portion of a veteran's deduction remaining after the application of the deduction to a veteran's real property, the unused portion may be applied first toward any personal property taxes and then to any excise taxes the veteran owes.
- Indiana Code 6-6-5-5.2 enables veterans (or their surviving spouses) who do not own or are not buying property under contract that qualifies for a veteran deduction to receive a credit toward vehicle excise taxes. This statute applies to a registration year beginning after December 31, 2013 and was effective July 1, 2013.
- Thus, if a vet literally owns no property (or is not buying property under recorded contract) or if the only property he owns exceeds the assessed value threshold, then he does not own land that qualifies for a vet deduction and thus may qualify for the "excise-only" option. However, if the vet does qualify for the partially disabled vet deduction but does not qualify for the totally disabled vet deduction because of the assessed value of the property, then the vet may only apply any unused portion of the partially disabled vet deduction to excise taxes. He cannot also have the "excise-only" option.



Excise Taxes

- The Department has prescribed an affidavit template, which is available at http://www.in.gov/dlgf/files/Auditor_Affidavit.doc.
- The maximum number of motor vehicles for which an individual may claim a credit is two. This credit must be claimed on a form prescribed by the bureau of motor vehicles. An individual claiming the credit must attach to the form the affidavit.



Excise Taxes

- *What if a vet receiving a vet deduction on his property on March 1 sells the property later in the year and begins renting property? Can he still receive his excise credit in the following year? What's the timing for providing the credit/affidavit?*
- If disabled veteran Bob owned property on March 1, 2014, received the disabled vet deduction for that assessment date, then sold the property later in 2014 and began renting, the amount of credit he gets would be determined when the '14 Pay '15 bill is calculated in spring, 2015. He would receive his coupon from the county in 2015. If there was no unused portion remaining, then Bob would get nothing for excise credit in 2015 (because there's no unused portion leftover and because he technically owns property that qualifies for the deduction). If Bob sold his property in late 2014 and there was an unused portion of the deduction, then he could claim that credit in 2015. If Bob sold his property in late 2014 and there was NO unused portion of the deduction, then he could request the affidavit and take it to the BMV for the \$70 credit.



Frequently Asked Questions

- *Can a veteran receive more than one veteran's deduction?*
- The total amount of the deductions combined cannot exceed the maximum established by statute. In other words, if the veteran owns two properties in a county, he can receive a deduction on both properties, but these deductions combined cannot exceed \$24,960 or \$12,480 (or possibly \$37,440). You can view this as either two deductions or one deduction split between properties. The application should list the properties to which the vet wants the deduction applied.



Frequently Asked Questions

- *What if two veterans own a property?*
- If two individuals, both eligible veterans, own a property, then each is entitled to a full deduction.
- *What if a veteran owns only personal property – can he still receive the deduction or must he own real property first?*
- The veteran's deductions statutes say that the deduction is made to the assessed value of the taxable tangible property that the individual owns. Thus, if the veteran owns only personal property, the deduction can be applied to this property.



Deductions on Mobile Homes



Deductions on Mobile Homes

- *Can a deduction eliminate a taxpayer's liability on a mobile or manufactured home?*
- No. IC 6-1.1-12-40.5 provides that the total deductions applicable to a mobile/manufactured home, not assessed as real estate, may not exceed one-half of the assessed valuation of the mobile/manufactured home (this does not apply to the supplemental homestead deduction!):

IC 6-1.1-12-40.5

Limits on deductions for mobile or manufactured homes

Sec. 40.5. Notwithstanding any other provision, the sum of the deductions provided under this chapter to a mobile home that is not assessed as real property or to a manufactured home that is not assessed as real property may not exceed one-half ($1/2$) of the assessed value of the mobile home or manufactured home.



Deductions on Mobile Homes

- The homestead deduction statute and IC 6-1.1-12-40.5 seem to provide conflicting information regarding the maximum allowable deduction and the allocation of the deduction between the mobile home and real estate.
- IC 6-1.1-12-37: Except as provided in section 40.5 of this chapter, the total amount of the deduction that a person may receive under this section for a particular year is the lesser of: (1) sixty percent (60%) of the assessed value of the real property, mobile home not assessed as real property, or manufactured home not assessed as real property; or (2) forty-five thousand dollars (\$45,000).



Deductions on Mobile Homes

- IC 6-1.1-12-40.5: Notwithstanding any other provision, the sum of the deductions provided under this chapter to a mobile home that is not assessed as real property or to a manufactured home that is not assessed as real property may not exceed one-half ($1/2$) of the assessed value of the mobile home or manufactured home.

(Please note that the supplemental homestead deduction is not subject to the 50% limit!)



Deductions on Mobile Homes

50 IAC 24-3-5 Limitation on homestead standard deduction

- (c) With respect to a personal property mobile home and up to one (1) acre of the land surrounding the mobile home owned by an individual, the overall sum of the deduction is limited to sixty percent (60%) of the combined assessed value of the homestead, that is, mobile home and qualified land. The county auditor shall allocate the deduction as follows:
 - 1) A maximum of fifty percent (50%) of the assessed value of the personal property mobile home.
 - 2) The remainder of the deduction shall be applied to the assessed value of the qualified land.
 - 3) The deduction shall be applied to the personal property mobile home and qualified land before all other deductions.
- To follow the statutory limitations set in both of these sections of the Indiana Code, the Department recommends that the homestead deduction be applied to the personal property mobile home and the land surrounding it up to one acre as follows:



Deductions on Mobile Homes

- Personal Property Mobile Home Assessed Value \$15,000
- Land Assessed Value (Same Owner) + \$5,000
- Homestead (Personal Property Mobile Home and Land up to 1 acre)
Assessed Value = \$20,000
- Per IC 6-1.1-12-37, 60% deduction of homestead = \$12,000
- Allocation of Deduction:
- Per IC 6-1.1-12-40.5, maximum deductions of 50% of
Personal Property Mobile Home Assessed Value = \$7,500
- Remainder of deduction applied to Assessed Value of Land
(\$12,000 - \$7,500) = \$4,500
- This leaves us with a net homestead AV of \$8,000
(\$7,500 attributable to the mobile home and \$500 to the land).
- Supplemental homestead deduction of 35% would be
applied to this \$8,000 (\$2,800).
- Here a deduction could potentially eliminate the taxpayer's liability on the real estate.



Frequently Asked Questions

- Our county's vendor's software is set-up so that if all of a veteran's deduction cannot be applied to a mobile home, we apply it all toward excise taxes. Is this acceptable?
- If even a portion of a veteran's deduction (or any other deduction) can be applied to a mobile home before it reaches the 50% limit or to the real estate on which the mobile home sits (if owned by the same party), then either the software must be modified or the county will have to make manual adjustments to the data so that the mobile home receives as much of the deductions for which it is eligible as possible.



2015 Legislative Changes



2015 Legislative Changes

- HEA 1283: For a property being purchased under recorded contract to be considered a homestead, the contract must obligate the owner to convey title to the individual upon completion of all of the individual's contract obligations. This amendment was effective 4/15/15 but does not apply retroactively, so existing contracts are grandfathered in.
- SEA 372: Provides that after December 31, 2015, if more than one individual or entity qualifies property as a homestead for an assessment date, only one standard deduction from the assessed value of the homestead may be applied for the assessment date.
- SEA 441: Eliminates the World War I veteran property tax deduction for property taxes imposed for an assessment date after 2015.



2015 Legislative Changes

- HEA 1388: Clarifies that if person moves from homestead after assessment date to another homestead later that year, the homestead deduction on first property is not cancelled, even if the property the person moves to was vacant land or a partially-completed structure on the assessment date. This bill also eliminates some obligatory DLGF rule-making provisions and voids some of DLGF's unnecessary administrative rules, all concerning deductions.
- HEA 1388: Introduces **exemption** for common areas.
- SEA 436: Introduces **exemption** for certain basements in Special Flood Hazard Areas.



2015 Legislative Changes

- SEA 436: Authorizes the fiscal body of a county to adopt an ordinance to allow the county, political subdivisions within the county, and local agencies within the county to use a uniform property tax disclosure form. If the fiscal body of a county adopts such an ordinance, the county, a political subdivision within the county, or a local agency within the county may require a person applying for a property tax exemption, a property tax deduction, a zoning change or zoning variance, a building permit, or any other locally issued license or permit to submit a uniform property tax disclosure form with the person's application for the property tax exemption, property tax deduction, zoning change or zoning variance, building permit, or any other locally issued license or permit.



2015 Legislative Changes

- SEA 420 (from 2014): Reminder that starting in 2016, an exemption validly in place on the assessment date will remain in place for that assessment date even if the property's use or ownership changes following the assessment date (e.g., church receiving exemption on January 1 sells to business in June; exemption stays on for '16 Pay '17).



SDF Issues



SDF Issues

- One of the most common complaints the Department receives concerning SDFs is inconsistency among counties in the way the forms are processed. The statute below suggests that while there may be some variation from county to county, there should not be substantial departure from state law:

IC 6-1.1-5.5-3

- **Sales disclosure form filing and review process; forwarding and use of forms; confidential information; conveyance of multiple parcels**
- (f) County assessing officials, county auditors, and other local officials may not establish procedures or requirements concerning sales disclosure forms that substantially differ from the procedures and requirements of this chapter.



Frequently Asked Questions

- *Can we make every person recording a deed file an SDF? If not, for those parties that need not file an SDF, can we make them file a county-prescribed form?*
- No, you cannot make every party recording a deed file an SDF. Only certain circumstances necessitate an SDF. As for imposing a county-prescribed form, this is probably more of a local decision counties make with the advice and counsel of their legal counsel. Counties should refrain from making the process of recording deeds or transferring property unreasonably burdensome. **ONLY SDFs CAN BE USED FOR TRENDING/RATIO STUDIES!**



Frequently Asked Questions

- Consistency is the major issue! Examples (as alleged by ILTA):
- Whether or not the transaction is exempt from SDF, some counties always require SDF. **An SDF can only be required for certain kinds of transfers!**
- Some counties require SDF on easements. **Only certain kinds of easement transfers require an SDF.**
- Some counties require SDF and fee in divorce and some do not. **Response: If you have a document for a compulsory transaction involving divorce, an SDF is required but there is no fee.**



Frequently Asked Questions

- Some counties require handwritten SDF and some require computer/electronic submission. **Response:** A county may choose to accept longhand submissions. In the event that a form is submitted longhand, the county assessor's office will enter the data in the database.
- Some counties will only take black ink. **Response:** Black ink is the preferred type of ink to be used, as other colors can cause problems for scanning purposes, so the form should (not must) be either typed or printed in black ink. However, the signatures on page 2 do not have to be in black ink.



SDF Issues

- Some counties require the signature of a spouse on SDF even though spouse is not/never has been on the deed/title. **Response: Only the spouse completing the SDF needs to sign the form. However, if one spouse wishes to use the SDF to complete the application for the homestead standard deduction, both spouses' identification numbers must be provided regardless of who is the owner of the property. Married couples are limited to one homestead standard deduction and so the identification numbers of both spouses are important.**



SDF Issues

- What ID is allowed on SDF for buyer? Last 5 of driver's license, ID, or other number—some counties will not accept out of state ID. The applicant provides the last five digits of his Social Security Number. If he does not have a Social Security Number, he would provide the last five digits of his driver's license number or state ID. If he doesn't have any of that documentation, he could provide the last five digits of a control number issued by the US federal government (e.g., visa or green card).



SDF Issues

- Inconsistency in filing any tax deductions on the SDF as some counties allow for deductions to be filed through the SDF and other counties will not allow any deductions through the SDF—not even the homestead. Moreover, some counties require the applicant to physically come in and present proof of eligibility despite the form being filled out correctly.

Response: An SDF can be used to apply for certain deductions, including the homestead. If the SDF is validly completed, the auditor ***must*** allow the deduction (see IC 6-1.1-12-44).



SDF Issues

- Most counties also require pink form to be filed to get homestead deduction anyway, so SDF information is redundant. **Response: The verification or “pink form” verification process has concluded. No taxpayer should be required to complete a pink form to obtain a new homestead deduction.**
- Is the form for filing deductions or sales disclosure information? **Response: The SDF can be used to apply for certain deductions, but it is primarily about tracking sales data.**



SDF Issues

- Please note that the highlighted phrase below was added to IC 6-1.1-25-20 in 2014, but has been deleted in 2015 (effective January 1, 2015)!

A county auditor who executes a tax deed under this chapter shall provide a copy of the tax deed to the grantee. The county auditor shall collect from the grantee the appropriate recording fee set forth in IC 36-2-7-10 on behalf of the county recorder and submit the tax deed directly to the county recorder for recording. The county recorder shall record the tax deed in the deed records and provide the recorded tax deed to the grantee in the normal course of business. **Notwithstanding IC 6-1.1-5.5-3, a sales disclosure form for such a property satisfies the requirements of IC 6-1.1-5.5 if only the county auditor signs the form.**



Thank you!

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